

FEBRUARY 6, 1978

"HOW'S THE MARKET?"

ANNCR: WHEN AMERICAN'S ASK, "HOW IS THE MARKET," THEY ARE GENERALLY REFERRING TO THE NEW YORK STOCK EXCHANGE AND THE SO-CALLED DOW JONES INDUSTRIAL AVERAGE -- THE MOST WIDELY-ACCEPTED INDICATOR OF THE STOCK MARKET'S PERFORMANCE. BUT HOW ACCURATE IS IT AS A GUIDE TO THE STATE OF THE AMERICAN STOCK MARKET? VOA'S LARRY LESUEUR HAS SOME OBSERVATIONS.

VOICE: THE AVERAGE OF THE DAILY PRICES OF THE THIRTY US INDUSTRIAL STOCKS KNOWN AS THE DOW JONES AVERAGE DATES BACK TO THE LAST CENTURY. IT HAS NOW BECOME SYNONOMOUS WITH THE DAILY INVESTMENT PULSE OF THE NATION. PRESIDENT CARTER RECOGNIZED ITS PYSCHOLOGICAL IMPACT WHEN HE SAID SOMEWHAT IN JEST THAT HE WOULD WATCH THE STOCK MARKET TO GET THE BUSINESS COMMUNITY'S VERDICT ON HIS RECENT STATE OF THE UNION MESSAGE. AS IT TURNED OUT, THE STOCK MARKET AVERAGE WENT DOWN SLIGHTLY.

HOWEVER, EVEN THE SECURITIES INDUSTRY CONCEDES THAT THE DAILY AVERAGE OF THIRTY INDUSTRIAL STOCKS CAN GIVE A MISLEADING PICTURE OF WHAT IS ACTUALLY HAPPENING ON THE NEW YORK STOCK MARKET. ONE REASON, OF COURSE, IS THAT THE SO-CALLED DOW JONES AVERAGE COMPRISES THE DAILY PRICE OF ONLY THIRTY OUT OF THE THOUSANDS OF AMERICAN CORPORATIONS LISTED IN DAILY NEWSPAPERS. IT'S TRUE THAT THE THIRTY SELECTED CORPORATIONS COMPRISING THE AVERAGE ARE ALL WELL-KNOWN AND WIDELY-HELD INVESTMENT VEHICLES. THEY INCLUDE SUCH CORPORATIONS AS THE AMERICAN TELEPHONE AND TELEGRAPH COMPANY AND GENERAL MOTORS CORPORATION. BUT IF ANY ONE OF THE THIRTY CORPORATIONS HAS A GOOD OR BAD DAY IT CAN HAVE AN IMPACT ON THE DOW JONES AVERAGE.

VOICE: FOR EXAMPLE, THE U.S. STEEL CORPORATION RECENTLY ANNOUNCED
(CONT) THAT IT WOULD REDUCE BY FIFTEEN CENTS THE DIVIDEND THAT IT PAYS
QUARTERLY TO INVESTORS. AS A RESULT THE PRICE OF EACH SHARE
DROPPED ALMOST FOUR DOLLARS BY THE END OF THE DAY. THIS WAS
ENOUGH TO LOWER THE DOW JONES INDUSTRIAL AVERAGE BY NEARLY
THREE POINTS. YET, WITHOUT THE SHARP DECLINE IN THE SHARE
PRICE OF U.S. STEEL, THE AVERAGE WOULD HAVE BEEN UP RATHER
THAN DOWN.

THIS WIDELY-QUOTED AVERAGE OF THE SHARE PRICES OF INDUSTRIAL
ENTERPRISES IS WEIGHTED HEAVILY IN TERMS OF COMPANIES ENGAGED
IN THE MANUFACTURE OF STEEL, AUTOMOBILES, CHEMICALS AND OIL
COMPANIES. IT EXCLUDES DRUG MANUFACTURERS AS WELL AS PRODUCERS
OF HIGH TECHNOLOGY AND BUSINESS MACHINE MARKERS, WHOSE
SHARE PRICES CAN GO UP, AND OFTEN DO, WITHOUT HAVING ANY
EFFECT ON THE DOWS JONES INDUSTRIAL AVERAGE.

WHILE THE AVERAGE STILL SERVES AS A POPULAR BAROMETER OF
BUSINESS CONFIDENCE MANY AMERICANS SUSPECT THAT A NEW TOOL
TO GAUGE THE PERFORMANCE OF THE STOCK MARKET MIGHT PROVE
USEFUL.

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